

The Personnel Monolith: Should it Be Preserved?

Editor's note: As frustration mounts with inadequate levels of pay and complex webs of personnel regulations, agencies are struggling to get out from under. Experiments with simplified rules and new incentive systems are under way in the Navy, the Air Force and the Commerce Department. Bills pending in Congress would allow added experiments affecting up to 250,000 federal workers.

Today, the Postal Service, which comprises about 30 percent of the federal work force, is not subject to central federal personnel rules, and another 9 percent of General Schedule workers have been granted special pay rates.

Is the trend healthy? Should the government let a thousand pay and personnel systems bloom? Ray Kline, president of the National Academy of Public Administration, argues that separate federal "cultures" should be allowed to grow in their own ways. Lucretia Dewey Tanner, executive director of the President's Advisory Committee on Federal Pay, says the government cannot afford such diversity. Here are their views.

LET THE CULTURES GROW

BY RAY KLINE

As federal officials face the challenges of advancing technology, unique management demands, limited resources, and long-term demographic and work force changes, they must struggle with the fundamental issue of whether tomorrow's government will be able to cope with its responsibilities.

Such challenges will be more easily met if the need for good government can be conveyed to all citizens, young and old. The general public must understand its stake in good government. The private sector, in its own self-interest, must know that in the long run it needs good government to prosper.

Good government is achievable in only one way: by having good people in government. That goal is disturbingly difficult to achieve these days; here are some of the reasons why:

- Bureaucrat bashing by recent Presidents and key members of their administrations;
- Personnel compensation systems which are not competitive in some cases with the private sector, and arbitrary pay caps at the top which aggravate the problem;
- Uncertain and changing personnel rules, affecting salaries, the retirement system and the Senior Executive Service;
- Continued political penetration of the senior career ranks in some agencies, resulting in truncated career paths for civil service

personnel with high leadership potential;

- Suffocating bureaucracy and micro-management levied on agencies by Congress, central management agencies and departmental superstructures. There is a cry throughout the service to get government off the back of the government and to let managers manage.

Two basic approaches are needed to build and sustain a quality workforce to meet tomorrow's needs.

Smash the Cookie-cutter

First, we should destroy once and for all the myth that the federal government is one gigantic monolithic structure of bureaucrats. We should see the bureaucracy for what it is—a cluster of cultures—and encourage these cultures to become centers of excellence. The traditional "cookie-cutter" approach—that all personnel issues have a similar impact upon all employees and are therefore susceptible to across-the-board mega-solutions—should be abandoned. Distinctive organizations should be given authority to develop and manage their own systems within a very broad policy apparatus administered by the Office of Personnel Management.

This is hardly a totally new concept. Today 40 percent of federal full-time personnel are exempted from the competitive civil service. Organizations with unique missions—the Postal Service, FBI, Foreign Service, CIA, Nuclear Regulatory Commission, to name a few—have their own personnel systems.

Other organizations with distinctive roles should be encouraged to do the same.

A study conducted by the National Academy of Public Administration a few years ago found that the current federal personnel system does not seem to work well for anybody. Federal managers do not feel the system is designed to meet their needs; they see it as another set of obstacles they must overcome in doing their jobs. And employees do not view the personnel system



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as working for them either.

Pressures are bubbling up from within agencies for more far-reaching solutions than special pay rates. To make their organizations run better, career managers are calling for greater flexibility in recruitment, salary setting, advancement, performance awards and other key processes of personnel management.

Tailor-made systems are needed to accommodate the presence in the federal government of specialized and highly skilled work forces, highly specialized facilities, unique employee mobility requirements, broad scale geographic dispersion of people and facilities, special national security and personal safety requirements, specialized training needs, and the particular requirements of different parts of the public served by different agencies.

Distinct cultures within the government are most apparent not at departmental levels, but at agency levels within larger bureaucracies: at the Forest Service, not USDA; the Park Service, not the Interior Department; the FBI and the Bureau of Prisons, not the Justice Department; the military research laboratories and the military intelligence community, not DoD; the National Institutes of Health and the Centers for Disease Control, not HHS; the National Bureau of Standards, not the Commerce Department; and so on.

Proud Agency Traditions

These cultures have long and proud traditions. Many distinct entities within the government take great pride in what they have done and are doing. They are populated by tens of thousands of people—some of the nation's finest—dedicated to programs of national purpose. They deserve far better than what they are getting—in terms of rhetoric, in terms of recognition and rewards, in terms of process.

Secondly, in addition to breaking down the monolithic myth, we need a bold, more comprehensive approach to personnel management, one that takes into account not just salaries and benefits but also social and physical concerns. We need an expanded concept of human resource management.

Salary and benefits will continue to be important considerations, and there are serious inequities that must be addressed. But many good people are drawn to public service not primarily with those considerations in mind. They are drawn by the chance to implement programs they consider important to the country's welfare.

Human resource management concepts are already taking hold in various federal agencies. More and more, there is recognition of the needs of the whole person, not only as a traditional wage-earner but as a

single parent or member of a two-career family. Features such as day-care centers, flexible working hours and mobility planning have been introduced to address these concerns. But greater attention is needed to factors of the physical environment where people are expected to work—the neighborhood, the building, the work station and new technology tools for doing work. As competition for good people increases, these factors escalate in importance. Tomorrow's federal manager will have to pay more direct attention to these kinds of issues in order to attract and keep the best and the brightest.

These two approaches—decentralization and a broad concept of human resource management—would position the federal government to meet tomorrow's needs. They should be applied within the existing government-wide framework for personnel management, such as the retirement system, the benefits package including health and life insurance, job classifications, national pay thresholds and the application of merit principles to personnel actions.

The law now permits personnel demonstration projects to test new techniques and a number of agencies, including several Defense installations and the National Bureau of Standards, have alternative personnel systems. These demonstration projects, created to meet the needs of operating organizations for greater flexibility, have a number of things in common. All of them move more personnel management responsibility to the manager, including the lead role in the classification of positions and setting salaries within much broader pay bands than those that exist today. These new alternative personnel systems give direct hiring authority to agencies, with features such as hiring bonuses to attract hard-to-get people. They permit the development of comprehensive pay-for-performance systems, and allow more flexibility in job-specific test requirements and selection criteria.

Achieving excellence in human resource management in a decentralized environment is a daunting challenge, but one which the cultures of government can meet. □

FRAGMENTATION: A QUICK FIX FOR A FAILED POLICY

BY LUCRETIA DEWEY TANNER

The federal government has operated as a successful organization over many decades. It has functioned well in times of war, political tragedy, and expansion and contraction of functions. Through a central agency, currently the Office of Personnel Management, it has operated a merit system, coordinated recruitment, and provided guidance to agencies on personnel policies.

But during the past decade, the organization has begun to disintegrate—and inadequate pay is the principal reason. Rhetorical attacks have undermined the public's esteem for government service, and inflation and fiscal pressures have also helped to constrict federal compensation to the point that salary comparability with the private sector has become much harder to achieve. Agencies are scrambling for a way out of the current system. Some say that anything except what we have now looks good.

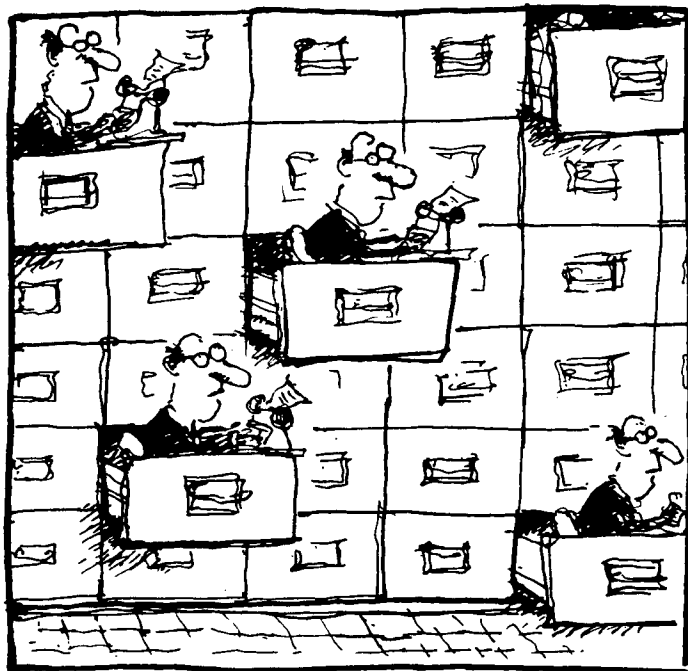
One proposal currently pending before Congress and attracting interest in the public administration field is to permit departments, and even individual agencies and bureaus within departments, to free themselves from restraining personnel rules and regulations. The argument is made that there is little or no similarity among the many departments and their functions. Each

has its own history, culture and identity. Hence, each should be left to pursue its own personnel policies.

Disaggregation has its origins in the corporate world, where, in a number of companies, each subsidiary competes in its own product line. In this world, managers have responsibility for the output and product of the entity, including human resource and compensation programs. Yet it has been found that in these situations, equitable personnel practices may be absent and headquarters in fact does need to exercise central control and oversight responsibility.

Transferring this fragmentation concept to the federal government is equally inappropriate; it is an attempt to escape the unappealing reality of the current system. Promoters of the fragmentation concept, however, have packaged it in vague, broad terms that appeal to agency leaders' sense of pride in their agency's uniqueness and its need for special attention. Agencies are said to have distinct cultures. This view masks the underlying reason for seeking disaggregation: a failed pay policy.

This chipping away at the civil service system through emphasis on the distinctiveness of different agencies has been going on for some years, although the bulk of the system (at least 60 percent of it) remains intact. The



biggest block to be separated was the U.S. Postal Service, delinked from the General Schedule in 1971 and granted collective bargaining rights over pay. As white-collar pay problems for federal employees have worsened, agencies remaining within the pay limitations of the General Schedule have begun to clamor for separate systems.

For example, the Federal Reserve Board in Washington has traditionally followed the General Schedule but has now decided that for practical reasons a new pay system is needed. The Federal Deposit Insurance Corporation (FDIC) has initiated a local pay differential built on top of the General Schedule. Two pieces of legislation being promoted by Sen. Jeff Bingaman, D-N.M., and Rep. Gary Ackerman, D-N.Y., would separate out up to 250,000 employees into 10 demonstration projects that would last five years. Additionally, this legislation would add even more special rates to the ones currently in place, which now cover about 140,000 positions.

Creating Cottage Industries

It is most appealing to suggest a quick fix: scrap what exists and create cottage industries for developing personnel and pay systems. Before doing this, however, a few questions should be addressed: Is the federal government a single employer? If not, then what would be the consequences of not having a comprehensive approach? The answer to the first question is both yes and no. As a single employer, the executive branch of the federal government reports to the President and receives authorization and funding from Congress through uniform appropriations procedures. The government functions with a set of rules and procedures that permit employees to transfer with relative ease

between agencies and carry with them their benefits and seniority rights. The standardization of classification, pay and benefits policies permits everyone to understand how the system operates and allows for analysis, monitoring and evaluation of human resource data across all organizations. If each agency were to develop its own system, it would be difficult or impossible for the central agencies, OPM, the Office of Management and Budget, the Congress and others to

have meaningful comparative data.

On the other hand, agencies and departments do indeed differ in function, mission, and, to varying degrees, the characteristics of their personnel. The culture and atmosphere within the Departments of Treasury, Health and Human Services, Commerce and Labor are different. Within large agencies, individual departments and bureaus have developed varying traditions, myths and leadership styles. Yet, despite these differences, all have operated under the same set of rules governing their work forces.

What if now the path chosen leads to balkanization and separatism? What if agencies are given authority to develop their own cultures and human resources and pay policies? Such a system did in fact exist in the federal government before 1923. Pay for similar jobs between and within agencies varied, and in many cases the differences were substantial. Employees were able to search for the best rate, sometimes by merely walking across the hall. Yes, 1923 was a long time ago and, it is claimed, cannot be compared to today's situation. But this history is not irrelevant, and its mistakes could be easily be repeated. In the intervening years, many highly respected commissions, boards, and academicians have looked at the civil service system and have offered various recommendations for improving it. None has suggested taking such a backward step.

Balkanized Chaos

How indeed would such a system operate? Although there are some 443 separate white-collar occupations in the federal work force, only 10 account for about one-third of the 1.4 million workers. The jobs with the most people—secretaries and clerk typ-

ists—have skills that are clearly transferable within and between agencies. It would not take long before pay scales were ratcheted up. Imagine the chaos, for example, if each agency's branch office housed in the New York City Federal Center could design its own system. Consider also shifts in agency ascendancy or decline. The Defense Department, for example, fluctuates between ample funding and lean years. It could lavish employees with hefty pay increases in good years, draining personnel from other less favored agencies.

Since OPM terminated the PACE (Professional and Administrative Career Examination) in 1982, many have pointed to the confusion that the absence of a central exam has created for those seeking federal employment. Consider the confusion that would result if each agency had its own entry devices for each type and level of job.

Is there no alternative besides either retaining the status quo or opting for total fragmentation? One way out of the pay bind, suggested by several groups, involves basing pay on local labor market conditions. This approach makes a great deal of sense. A study jointly sponsored by the Advisory Committee on Federal Pay, the American Compensation Association and The Wyatt Company found that many private firms with multiple locations vary their pay rates according to local labor market standards. Another approach suggested by the Federal Executive Board in New York involves paying a differential based on the area's cost of living, an approach similar to the one used by the FDIC. Either approach could be applied across-the-board, so that all agencies in Boston, Baltimore, San Francisco, Philadelphia, Chicago and major centers of federal employment would be paying the same rates for the same work among themselves and their competitors in the private sector and state and local governments.

While proposals for paying the going rate in local labor markets are gaining support, they must survive a mine field of technical choices. A tripartite body made up of representatives of agencies, employee groups and the public (similar to the one proposed in the Ackerman bill, H.R. 3132) could be established to set guidelines for such a system. While allowing employees to be paid equitably, such a system would not preclude managers from managing, or agencies from enhancing their separate cultures.

The public as well as federal employees want good government. They want a system not merely free of corruption, but one that operates efficiently to serve the nation well. We need a concerted effort to maintain a highly qualified and dedicated federal work force. Separatism is too weak a tool to meet this challenge. □